

CHIEF OPERATING OFFICER'S REVIEW

"Vodacom is well placed to compete in the African markets in which it operates."



Pieter Uys
Chief Operating Officer
Vodacom Group (Proprietary) Limited

Year under review

The past financial year has once again proven to be a very successful year for Vodacom. Our customer base has shown growth of 51.9% to 23.5 million (2005: 15.5 million). The African countries contributed 8.7% (2005: 8.3%) to revenue, 22.7% (2005: 20.6%) to customer gross connections and 18.5% (2005: 17.1%) to the total customer base for the year ended March 31, 2006.

These results have been achieved in challenging competitive, regulatory and fiscal environments.

South Africa

Vodacom South Africa experienced excellent customer base growth which once again exceeded expectations, by increasing with 49.3% to 19.2 million (2005: 12.8 million) customers. The growth in customers was fuelled by a record number of gross connections in a robust economy, coupled with lower churn. Vodacom South Africa increased its estimated market share to 58% (2005: 56%) for the year ended March 31, 2006.

Vodacom South Africa remains the cornerstone of Vodacom's success and is well positioned to take advantage of the further growth opportunities expected in this market.

Other African operations

Vodacom managed to improve or retain its market position in all its other African operations during the year under review.

Tanzania

Under the leadership of Managing Director, Romeo Kumalo who was appointed on April 1, 2005, Vodacom Tanzania has continued to improve its overall performance in respect of customer growth, profit from operations, EBITDA, redesign of its distribution channel and cost management.

Vodacom Tanzania achieved a substantial 74.1% increase in customers to 2.1 million (2005: 1.2 million), primarily through increases in the prepaid customer base.

Chief Operating Officer's review continued

Vodacom Tanzania has achieved exceptional growth in profit from operations with an increase of 43.7% and customer growth of 74.1% during the year despite a slight decrease in its market share to 58% (2005: 59%) in 2006.

Infrastructure investment in Tanzania will continue by rolling out the GSM network to rural areas, increasing network capacity and rolling out a 3G network. A significant amount of goodwill was created by donating one billion Tanzanian Shillings to the Tanzanian Relief Fund. These funds will be used to provide food to thousands of starving Tanzanians who have been affected by the current devastating drought.

The Democratic Republic of Congo ("DRC")

Vodacom Congo has also improved its operational performance over the past year with solid growth in customers, profits from operations and EBITDA under the leadership of Managing Director, Dietlof Maré. Vodacom Congo's focus on being competitive in coverage and quality has been very successful.

DRC's presidential and parliamentary elections are planned for the coming year after an official postponement was announced in June 2005. The outcome of the elections will determine political stability and economic growth.

Vodacom Congo achieved a 52.2% increase in customers to 1.6 million (2005: 1.0 million) as a result of substantial gross new customer connections. Profit from operations increased by 134.0% to R117 million (2005: R50 million).

Vodacom Congo continues to be the market leader with an estimated market share of 48% (2005: 47%) on March 31, 2006. The success of the various distribution channels of Vodacom Congo have contributed to the growth in market share.

Lesotho

Given the market size of the country, Vodacom Lesotho has delivered exceptional operating results during the past year under the leadership of the Managing Director, Mervyn Visagie. Vodacom Lesotho has delivered significant growth in customers with an increase of 40.1%. Profit from operations increased by 104.0% and EBITDA by 39.6%.

Vodacom Lesotho increased its customer base by 40.1% to 206,000 (2005: 147,000) customers as at March 31, 2006, constituted mainly of prepaid customers resulting from substantial growth in gross new customer connections.

Vodacom Lesotho has retained its estimated 80% share of the market by continually providing excellent coverage, brand management and distribution of products and services.

Mozambique

Vodacom Mozambique has completed its second full year of operations. Although customer growth was satisfactory, the low minutes of use and ARPUs were disappointing. On the positive side, Vodacom Mozambique has rolled out a competitive network from a coverage and quality point of view. Macro economic indicators are moving in the right direction, which is encouraging.

Vodacom Mozambique increased its customer base substantially by 84.9% to 490,000 (2005: 265,000) customers as at March 31, 2006.

Following his success in Tanzania, José dos Santos took over the position of Managing Director in 2006 to lead Vodacom Mozambique.

Conclusion

The coming financial year will again be challenging with increased pressure being exerted by competitors and regulators. As a result of African markets being seen as the most lucrative growth opportunities, these pressures will increase as more players enter the market. Vodacom is well placed to compete in the African markets in which it operates.

In South Africa, Vodacom is mainly faced with opportunities and challenges posed by the Electronic Communications Bill, number portability and customer registration.

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